

State of California

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Legislative Change No.

00-15

Bill Number: AB 2893

Author: AR&T Committee

Chapter Number: 00-252

Laws Affecting Franchise Tax Board:

Revenue and Taxation Code Sections 23701b, 23701c, 23701e, 23701f, 23701g, 23701i, 23701j, 23701l, 23701n, 23701s, 23702, 23704, 23704.3, 23704.4, 23704.5, 23704.6, 23740, and 23772

Date Filed with the Secretary of the State: August 28, 2000

SUBJECT: Partial Conformity of Exempt Law to Federal Law

Assembly Bill 2893 (Assembly Revenue and Taxation Committee), as enacted on August 28, 2000, made the following changes to California law:

Section 23701b of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to Internal Revenue Code (IRC) Section 501(c)(8) allowing fraternal beneficiary societies, orders, or associations to qualify as exempt organizations.

Section 23701c of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(13) allowing cemetery companies to qualify as exempt organizations.

Section 23701e of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(6) allowing business leagues, chambers of commerce, real estate boards, or boards of trade to qualify as exempt organizations. Professional football leagues are not included as an exempt organization under California law.

Section 23701f of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(4) allowing civic leagues to qualify as exempt organizations, as long as its net earnings are devoted exclusively to charitable, educational, or recreational purposes. This section also provides that the assets of the civic league must be irrevocably dedicated to charitable, educational, or recreational purposes.

Section 23701g of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(7) allowing clubs organized for pleasure, recreation, or other nonprofitable purposes to qualify as exempt organizations.

Bureau Director

Johnnie Lou Rosas

Date

October 24, 2000

Section 23701i of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(9) allowing voluntary employees' beneficiary associations to qualify as exempt organizations.

Section 23701j of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(11) allowing teachers retirement fund associations to qualify as exempt organizations.

Section 23701l of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(10) allowing domestic fraternal societies, orders, or associations to qualify as exempt organizations, as long as its net earnings are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and do not provide for the payment of life, sick, accident, or other benefits. This act also defines the term "domestic" to mean a society created or organized in the United States or under the law of the United States.

Section 23701n of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(17) allowing supplemental unemployment compensation trusts to qualify as exempt organizations, as long as the corpus or income is not used for any purpose other than providing supplemental unemployment compensation benefits to a classification of employees specified in the plan and the benefits are not discriminatory in favor of highly compensated employees.

Section 23701s of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(c)(18) allowing an employee-funded pension trust to qualify as an exempt organization, as long as the corpus or income is not used for any purpose other than providing the benefits to a classification of employees specified in the plan and the benefits are not discriminatory in favor of highly compensated employees.

Section 23702 of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 502 stating feeder organizations are not eligible for exempt status. A feeder organization operates for the primary purpose of carrying on a trade or business for profit with all of its profits payable to one or more exempt organizations. A feeder organization does not include a business in which all the work to carry on the trade or business is performed for the organization without compensation; a business in which the selling of merchandise received by the organization as a gift or contribution; or a business that derives specified rental income.

Section 23704 of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(e) allowing cooperative hospital service organizations, including laundry services, to qualify as charitable organizations.

Section 23704.3 of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(o) allowing hospitals participating in provider-sponsored organizations to qualify as a charitable organization.

Section 23704.4 of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(k) allowing certain organizations that provide childcare away from a child's home to qualify as charitable organizations, as long as the care provided is available to the general public and is for the purpose of enabling individuals to be gainfully employed. The IRC Sections 2055(a)(2) and 2522(a)(2) relating to taxable gifts or transfers for public, charitable, and religious uses will not apply.

Section 23704.5 of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 501(h) allowing the denial of exempt status to a public charity based on its expenditures on activities to influence legislation.

Section 23704.6 of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 504 relating to the non-exempt status given to an organization after it ceases to qualify for exemption due to substantial lobbying or political activities.

Section 23740 of the Revenue and Taxation Code is repealed and added.

This act repeals existing California law to add a new section conforming to IRC Section 4911 relating to the computation of excess expenditures spent by public charities to influence legislation for purposes of denying exempt status. Legislation is defined to include acts, bills, resolutions, or similar items by the State Legislature.

Section 23772 of the Revenue and Taxation Code is amended.

This act amends cross-references within this section to reflect the conformity with federal law.

This act is effective and operative January 1, 2001.

This act will not require any reports by the department to the Legislature.